



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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OLYMPIA, June 19, 2008 --- Excluding legislation enacted in the 2008 session, the General Fund-State revenue forecast has been reduced by \$166.8 million for the combined 2007-09 and 2009-11 biennia. The new U.S. economic forecast exhibits weaker growth of GDP, employment and income than did the forecast adopted in February. The forecast assumes that the economy slumps once again to a near-recessionary state in the fourth quarter of this year and first half of next year as the impact of the tax rebates wears off. The new forecast also expects higher inflation in 2008 and 2009 than assumed in February. The weaker national outlook is the main reason for the reduction in the state's economic and revenue forecasts.

The June 2008 forecast for the 2007-09 biennium is \$29,402.4 million, which is \$60.5 million lower than expected in the February forecast. Of the \$60.5 million reduction, \$11.0 million is due to legislation and \$49.6 million is due to the weaker economic forecast. The forecast for the 2009-11 biennium is \$31,754.5 million, which is \$163.4 million lower than expected in the February forecast. Of the \$163.4 million reduction, \$46.1 million is due to legislation and \$117.2 million is due to the weaker economic forecast.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2007-09 biennium. The forecast based on more optimistic economic assumptions netted \$643 million (2.2 percent) more revenue in the 2007-09 biennium than did the baseline while the pessimistic alternative was \$530 million (1.8 percent) lower. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$162 million (0.6 percent) less revenue in the 2007-09 biennium than did the baseline forecast.

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